



**LIV FORUM**  
FOR PANJAB & SIKH AFFAIRS

# India–EU Free Trade Agreement

How can Panjab Leverage it?

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# 1.0 Executive Summary

The India-EU Free Trade Agreement (FTA), signed on 27 Jan 2026, aims to integrate the markets of two major global economies—representing 2B people and a USD 24T market—to foster a rules-based partnership and address global economic uncertainties. The core challenge for India, and specifically for the state of Panjab, is to leverage this ambitious deal effectively while managing concerns regarding competition, stringent European quality and sustainability standards, and the need for structural economic adjustments.

To capitalize on the FTA, the report proposes a strategic shift for Panjab, which has historically relied on an agrarian economy. Key measures include: investing in factory modernization, machinery, and certification processes to meet high EU environmental, labor, and quality standards; shifting focus towards food processing; implementing state-backed initiatives to revive traditional crafts and leather goods; establishing skilling centers to prepare the youth for high-demand roles in Europe, particularly in nursing, elder care, and technical fields; and pushing for better logistics, including direct international land routes and optimized air cargo operations.

## Value & Impact

- For India: The FTA provides preferential access to European markets across 97% of tariff lines. Duties on 70.4% of tariff lines have been eliminated, benefiting sectors such as textiles, leather, footwear, tea, spices, and marine products
- For Panjab: The agreement presents significant opportunities for the state's industrial base in textiles, sports goods, bicycle parts, and engineering, as well as its skilled workforce in Information Technology, healthcare, and engineering across 144 newly opened subsectors
- Safeguards: Crucially, the dairy industry—a vital source of rural income—has been protected with zero import duty concessions to the EU, safeguarding small and marginal farmers

## Key Findings

- Economic Disparity: The FTA integrates unequal partners; the EU represents a developed economy with a high nominal GDP per capita, while India has a significantly larger population and a younger demographic
- Implementation Status: While the FTA is signed, full implementation depends on the conclusion of parallel agreements, specifically the Investment Protection Agreement and the Geographical Indications (GI) pact, and a formal signature post vetting is [projected](#) for late 2026



## 2.0 Introduction

The India–European Union (EU) Free Trade Agreement (FTA), signed on 27 Jan 2026, is considered the largest-ever such trade deal by either side. The EU press [release](#) notes the deal as the ‘most ambitious trade opening that India has ever granted to a trade partner.’ Designed as a modern, rules-based trade [partnership](#), the FTA is a response by India and the EU to contemporary global challenges while enabling deeper market integration between the world’s sixth and second-largest economies. The combined India and EU market comprises 2B people and places the deal at USD 24T. Bilateral merchandise trade between India and the EU is valued at USD 137B in 2024–25, with India exporting roughly USD 76B to the EU. In 2024, India-EU trade in services stood at USD 83B.

The FTA provides a scope for the India-EU relations to evolve from a traditional to a multifaceted partnership, providing a stable and predictable environment for exporters, enabling Indian businesses, including Micro, Small, and Medium Enterprises (MSMEs), to plan long-term investments, integrate into European value chains, and ensure consistent favorable market access amid global economic uncertainties.

### **Benefits to India**

India has gained preferential access to the European markets across 97% of tariff lines, covering 99.5% of trade value, particularly:

- Duty on 70.4% tariff lines covering 90.7% of India’s exports will be eliminated for textiles, leather and footwear, tea, coffee, spices, sports goods, toys, gems and jewelry, and marine products
- Zero duty on 20.3% tariff lines covering 2.9% of India’s exports over three and five years for marine products, processed food items, arms, and ammunition
- Preferential access on 6.1% tariff lines covering 6% of India’s exports, such as poultry products, preserved vegetables, bakery products, and through tariff rate quota for cars and other steel products

### **Benefits to the EU**

Tariffs on over 92.1% of its tariff lines, which cover 97.5% of EU exports, will be [eliminated](#) or reduced: duty elimination on 49.6% of tariff lines, and phased duty elimination on 42.5% of tariff lines over five, seven, and 10 years.



- Saving up to EUR 4B per year in duties on European products
- Competitive advantage for EU exporters with the biggest trade opening India has given to any trade partner, and privileged access to India for EU service providers in key areas, such as financial services and maritime services
- Protection of EU intellectual property, such as trademarks

## 3.0 Background

The FTA has been under discussion for close to two decades, since negotiations between India and the EU began in 2007. Though the [timeline](#) stretches much further back. In 1962, India was one of the first countries to establish relations with European institutions and signed an agreement with the European Community (EC) in 1973. In 1993, India and the EC [signed](#) a co-operation agreement, which continued when the EC became the EU. In 1994, India and the EU signed a Memorandum of Understanding on the export of Indian textiles.

### ***3.1 Speed Breakers***

A rupture in relations between India and the EU occurred in 1998 when India tested its nuclear bomb. The EU delayed loans to India from international financial institutions, including the World Bank. However, unlike the United States of America, the EU ruled out bilateral sanctions, although Germany and the United Kingdom imposed some measures. In 2004, at a summit in The Hague, India and the EU agreed to establish a 'strategic partnership,' followed by a summit in Delhi in 2005, where they agreed on a roadmap to develop relations. In April 2007, the EU member states agreed to begin talks on a Free Trade Agreement with India.

By 2010-11, fault lines had [emerged](#) over automobile tariffs, wines and spirits, pharmaceutical patents, data protection rules, and market access for services. The EU pushed for steep cuts in India's import duties on cars and alcohol, while India resisted, citing the need to protect domestic manufacturing and farmers. The talks formally collapsed in 2013, after 16 rounds of negotiations, as both sides hardened their positions. Between 2014 and 2021, India adopted a more cautious trade posture. New Delhi walked away from the Regional Comprehensive Economic Partnership (RCEP) in 2019 and became increasingly skeptical of large, multi-sector trade deals, arguing that earlier agreements had led to import surges without commensurate export gains. At the same time, the EU was preoccupied with Brexit, internal economic strains, and negotiating trade deals with partners such as Japan, Canada, and Vietnam.



## **3.2 Breakthrough**

The stalemate broke in 2022, when India and the EU formally agreed to relaunch negotiations amid a changing global landscape. The Covid-19 pandemic, supply chain disruptions, and the Russia-Ukraine war pushed both sides to diversify trade partners and reduce strategic dependencies. Crucially, the scope of talks was restructured. Instead of a single mega-agreement, negotiations were split into three parallel tracks: a Free Trade Agreement, an Investment Protection Agreement, and a Geographical Indications (GI) pact. This modular approach helped negotiators make progress without letting disagreements in one area derail the entire process. Between 2022 and 2025, negotiators held 14 formal rounds, supported by frequent technical and political-level discussions. Progress remained uneven, particularly on automobiles, services, and sustainability commitments, but momentum steadily built as both sides showed greater flexibility. The last formal negotiating round took place in October 2025, after which talks entered a political phase.

## **3.3 Pending Agreements**

While negotiations on the FTA have concluded, the separate Investment Protection Agreement is yet to be agreed upon. This aims to provide investors with a 'predictable and secure investment environment', through commitments on:

- Non-discrimination
- Protection against expropriation without compensation and unfair treatment of investors and their investments, while preserving the right to regulate
- Transfer of returns

The parties have yet to agree on a dispute settlement mechanism to enforce such rules. Negotiations are lagging due to India's Bilateral Investment Treaty (BIT) reforms, which remain a work in progress, and the EU's need for ratification by all 27 member states.

India and the EU are also currently negotiating a separate agreement on Geographical Indications (GIs), which will help traditional EU farm products sell more in India by removing unfair competition from imitations.

## **4.0 India's Position**

Trade with Europe is not new for India. Evidence of trade between the Indus Valley and Mesopotamian civilizations [dates](#) to 2,500 BCE. Some of the prized commodities were spices, silk, jewels, and indigo. Until the Middle Ages, the Indian sub-continent traded through the Silk Route.



With the industrialization of Europe and the opening of sea routes, European colonial powers, including the Portuguese, Dutch, French, and British, colonized parts of the sub-continent. Out of them, the British stayed the longest and are no longer part of the EU. The East India Company's motive was to take Indian raw materials and turn India into a market for its goods. The underlying principle of the FTA remains the same as in the past: India is rich in raw materials and is a huge market, and Europe has industry and technology.

The EU has great need for new [sources](#) of raw materials, both for conventional mining products and rare minerals needed for the ongoing energy transition. The EU's access to raw materials from India will be secured through an investment agreement. Such agreements with other countries have led to a series of arbitration cases; companies can sue the government if they believe government policies are working against them. Drawing on previous experience, India has proposed its own set of investment rules (the Indian model Bilateral Investment Treaty) to the EU, which would require foreign investors to abide by national laws while leaving India room to pursue its own policies.

## 4.1 Unequal Partners

India is a country, and the EU represents a continent—Europe. It is difficult to draw a comparison between two politically different structures. Also, the Indian census is ongoing, but some [numbers](#) are available, which are tabulated below.

	<b>India</b>	<b>EU</b>
Population	1.48B	452M
Percentage of World Population	17.8%	5.8%
Median Age	29 years	44 years
Mean Growth Rate	0.8%	0.4%
Gross Domestic Product (GDP)	4.15T	23T
Purchasing Power Parity (PPP)	USD 18T	USD 30–35T
Nominal GDP per capita	USD 2,813	USD 51K
PPP-adjusted GDP per capita	USD 13K–15,669	68K
Earning Percentage of Global GDP	3.3%	17.8%



## 4.2 Local Stakeholders

India's union government has signed the FTA with the EU behind closed doors. Regional governments in India and other stakeholders, like industry and labor unions, are not involved. Europe comprises 27 countries, and each of them has vetted the FTA. India has 28 states and 8 Union Territories—none of which have vetted the FTA. While there have been local voices raised in states and union territories (since most are ruled by the *Bharatiya Janata Party* (BJP), which also leads the National Democratic Alliance at the national level), these voices have not come up at the national level.

Soon after the FTA was signed, India's farmer unions' alliance *Samyukt Kisan Morcha* (SKM) [said](#), '(The FTA) is not a fair trade deal but an economic colonization blueprint that will lead to systematic corporate capture of the vast Indian market, decimate domestic agriculture and industry, and ruin employment opportunities in India.' On 12 February 2026, an umbrella organization of trade unions, the Joint Platform of Central Trade Unions and SKM, [staged](#) a joint day-long nationwide protest against FTA and other anti-worker, anti-farmer, and pro-corporate policies of the government. More than 300M industrial workers, small and marginal farmers, and agricultural workers across industrial sectors, in 600 districts, participated in the strike.

## 4.3 Agriculture

India has 90–150M farmers—a significant number of them are seasonal and pursue other small trades during non-sowing and harvesting periods. 86% of them are farmers with small and medium landholdings. Although the FTA does not open agricultural products such as cereals and lentils to EU imports, it [removes](#) tariffs on several processed agricultural products, thereby affecting Indian farmers. The FTA eliminates import tariffs on olive oil, vegetable oils, margarine, fruit juices, non-alcoholic beer, breads, pastries, biscuits, pasta, chocolate, and pet food. It reduces tariffs on wine, spirits, beer, kiwis, pears, sheep meat, and other processed meat. This will drive down prices and lead to cutthroat competition, harming Indian farmers.

Due to new patent rules, supplies such as seeds and fertilizers will become expensive for Indian farmers. Lifting export taxes on agricultural products will make it easier for larger producers to export to the EU. However, they will have to meet high EU standards.



## **4.4 Dairy & Fishery**

The Indian government views the dairy industry as a 'red line' due to its political and economic weight, as it is a primary source of rural income and employment. In the FTA, India granted zero import duty concessions to the EU. This exclusion includes dairy goods, milk powder, cheese, and other processed dairy items and safeguards the livelihoods of millions of small and marginal local farmers.

The FTA completely eliminates import duties on Indian seafood, removing previous tariffs. The tariff rationalization, combined with the EU's recent approval of 102 new Indian fishery export establishments, makes Indian shrimp, fish, and value-added marine products highly competitive in the EU market. Over 70% of marine export tariff lines enjoy immediate duty elimination, while the remaining categories are phased into a zero-duty structure within three to five years.

## **4.5 Industry**

The FTA [waives](#) tariffs on Indian engineering goods, leather and footwear, sports goods, handicrafts, toys, medical instruments, textiles, and chemicals. FTA provides preferential market access for gems and jewelry, plastics and rubber; it reduces duties on woodcraft and furniture. These sectors already largely export to Europe, and the FTA makes exports easier by reducing European import tariffs.

The EU would benefit from [exporting](#) machinery and electrical equipment, aircraft and spacecraft, optical, medical and surgical equipment, plastics, pearls, precious stones, metals, and chemicals. The Indian automotive and vehicular industry is [poised](#) to benefit from its two-wheeler exports, and Europeans would benefit from the export of luxury cars to India. However, in order to export, Indian manufacturers are likely to struggle with technical requirements, international standards, labor rights, and environmental standards.

## **4.6 Medicines**

India is a large-scale producer of cheap drugs whose patents have expired. The country supplies 20% of generic medicines worldwide and 62% of vaccines. The India-EU FTA is expected to [enable](#) Indian pharmaceutical companies to scale operations, generate skilled employment, and reinforce India's role as a reliable partner in the global healthcare supply chain. The agreement will drive expansion of skilled and industrial employment, stronger participation of MSME, deeper global supply chain integration, and capacity expansion across pharmaceuticals, medical devices, and allied



sectors. However, the EU seeks to extend patents for combination drugs and to introduce new patents and other thresholds that complicate generic production.

## 5.0 Panjab's Position

The Indian state of Panjab, in the north west of the country, is roughly the size of Croatia or Slovakia in the EU. Like Slovakia, Panjab is a landlocked region. Due to the Green Revolution in the 1960s, Panjab's economy is largely agrarian with industry bases in urban centers. Between 1970–2020, Panjab was the 'bread basket' of India. That also meant that Panjab missed out on the economic liberalization of the Indian economy in the early 1990s.

A major relief for Panjab's agrarian economy is that the FTA has retained restrictions on agricultural products, which will keep its farmers and labor secure for the time being. However, since Panjab missed out on gains from liberalization, it is imperative that its industry leverages the FTA.

The acute labor shortage in Europe due to an aging population has created an increasing demand for foreign workers to fill the workforce gap. Skilled professionals are in high demand in research-driven IT, engineering, healthcare, and sustainable energy sectors.

### 5.1 Logistics Infrastructure

Here are some salient [features](#) of Panjab's industry:

- 147,863 kms Road connectivity
- 2,265 kms Rail Network
- 4 Domestic Airports
- 2 International Airports (Sahibzada Ajit Singh Nagar & Amritsar)
- 2 Dedicated Freight Corridors (Dandkuni in West Bengal & Mumbai in Maharashtra)
- 2 Air Cargo Terminal:
- 5 Inland Container Depots
- 8 Container Freight Stations
- 78 Railway Goods Sheds
- 3 Multimodal Logistics Parks
- 3 Mega Food Parks
- 4 Textile Parks
- 52 Focal Points
- 3 Special Economic Zones



- 600 Cold Storage Facilities (Capacity: 2.35 MMT)
- 162 Warehouses (Capacity: 6.3 MMT)
- 3 Integrated Check Posts
- 14,737 MW electricity production 2023–24
- 89.33B Gross State Domestic Product
- 2.5% Indian GDP share

## 5.2 Industry Ranking

The FTA provides for zero tariffs on exports of textiles, apparel, woolens, leather goods, footwear, and sports goods. It provides Preferential Market Access to engineering goods and processed foods. These are set to benefit Panjab, as the state is already the largest producer in the following sectors in India, listed in percentages:

- 95% [woolen](#) knitwear
- 65% [blended](#) yarn (fourth in spinning [capacity](#) 5.72%)
- 65% [sports](#) goods
- 92% [bicycle](#) parts:
- 75% [bicycles](#), 11M pa
- 80% [hand](#) tools (machine tools 20%)
- 85% sewing [machines](#), 1.5M units pa
- 29% number of [tractors](#) (two-thirds of the original farm equipment)

## 5.3 Service Sector

Under the FTA, the EU has [opened](#) 144 services subsectors, including Information Technology and Information Technology-enabled and professional services, education, and other business services. These cover a vast range of service sectors in which service providers from Panjab can contribute. Panjab has a big talent pool of [skilled](#) workers. On average, Panjab trains many engineers, technicians, doctors, and healthcare staff every year:

- 101 Engineering colleges produce 30K engineers
- 181 Polytechnics produce 15K technicians
- 379 Industrial Training Institutes produce 40K diploma holders
- 13 Medical (6 [government](#) & 7 [private](#)) colleges produce 1,700 doctors
- 260 Nursing (15 government & 245 private) [institutes](#) produce 3K nurses



## 6.0 Recommendations

The FTA can serve as a catalyst for Panjab to explore its trade possibilities, which have been pending for decades. Five recommendations are proposed to leverage the India-EU FTA for Panjab.

### ***6.1 Upgrade Textile & Sports Industry***

Stringent EU standards disproportionately affect MSMEs in areas such as quality, traceability, labor, and sustainability. For Panjab to realize employment gains through FTA, the government will need to make much-needed improvements in labor rights, women's participation, and environmental standards. For example, the state can clean up *Buddha Nullah*, the rivulet in Ludhiana, which is polluted by its textile industry. The state must invest in upgrading factories and machinery, and in testing and certification to meet global standards in quality, safety, and environmental practices.

### ***6.2 Link Agriculture with Processing***

The potential for increased food processing capacity has existed for several decades. The opening of the processed food sector is an opportunity for Panjab to both invest in the industry and diversify from the wheat-paddy cycle, in which most of its farmers are trapped. If the government uses the FTA as an impetus and acts on it, there is great potential to change Panjab's agricultural landscape, encourage horticulture and milk products, and prepare to comply with rules on patents, seed supply, and reduced fertilizers.

### ***6.3 Boost to Crafts & Leather Goods***

The FTA's elimination of tariffs on handicrafts and leather goods is a big window for Panjab to once again develop these sectors. Traditionally, Panjab's *juttis* (open shoes), *phulkari* (embroidered shawls), *darries* (rugs), wood furniture, and brass vessels have been in great demand in India and the West. But with industrialization, they have languished. There are opportunities here for the state to invest in its artisans and craftsmen to revive these industries, hold fairs, develop parks, and provide facilities for exchange.

### ***6.4 Skilling Centers for the Youth***

Though Panjab produces close to 100K professionals every year, the state itself can absorb only a small fraction of them. The youth migrate abroad to better their prospects. With the FTA, given



the acute labor shortage and aging population in Europe, the government can channel the migration by developing partnerships with universities and institutions abroad to train youth for particular industries and teach them European languages, which would help them adjust and be effective in foreign lands. Panjab must explore nursing and elder care to create pathways for youth.

## ***6.5 Open Land Routes & Upgrade Airports***

The FTA can serve as an incentive for Panjab to cut costs and transportation time through land and sea routes by opening the international land route through Attari-Wagah border after due negotiations with Pakistan, Iran, Türkiye, or Afghanistan. Since Panjab is closer to Europe than most of India, Panjab can also explore air trade by using its airports and air cargo terminals to serve as a connectivity hub for the state and the rest of India.

## **7.0 Conclusion**

Since the declaration of intent to sign the India-EU FTA, the two parties have been vetting the deal, ironing out differences. For both India and the EU, it is also important to sign the Investment Protection Agreement and the Geographical Indicators agreement so they can formally conclude the deal at the end of 2026 and implement the full FTA in early 2027 as projected.

The FTA comes at a time when Panjab is facing major challenges in agriculture and industry, as well as a growing youth population. If the Panjab government is willing, it needs to map the regions in Europe it could serve and should draw up a time-bound plan to leverage the FTA to transform its industrial and agrarian landscape and provide opportunities for its youth. The Panjabi diaspora in EU nations is an immense resource that the government can leverage to expand its presence in the region.